

**DeWitt Area Recreation Authority
DeWitt, Michigan**

FINANCIAL STATEMENTS

December 31, 2007

DeWitt Area Recreation Authority

TABLE OF CONTENTS

December 31, 2007

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii-vi
BASIC FINANCIAL STATEMENTS	
Governmental Fund Balance Sheet/Statement of Net Assets	1
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balance/Statement of Activities	2
Notes to Basic Financial Statements	3-8
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	9

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of December 31, 2007, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information, as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 5, 2008



Commissioners

Doug Simon
Ray Knick
Phyllis Daggy
Richard Paulsen
Mary Winegar
Dave Hunsaker

Executive Director

Staci Leyko, CPRP

Program Coordinator

Chad S. Stevens

Office Address

16101 Brook Rd.
Lansing, MI 48906

Mailing Address

1401 W. Herbison Rd.
DeWitt, MI 48820

Phone

(517) 482-5117

Fax

(517) 482-1293

Website

www.dewittrecreation.org

Email

info@dewittrecreation.org

Management's Discussion and Analysis For the Fiscal Year Ended December 31, 2007

The intent of the management discussion and analysis is to provide highlights of the Authority's financial activities for the Fiscal Year ended December 31, 2007. Readers are encouraged to read this section in conjunction with the basic financial statements.

Financial Highlights

- The assets of the Authority exceeded its liabilities at December 31, 2007 by \$95,194 at the government-wide level. This amount represents the balance of the Authority's unrestricted net assets and may be used to meet the Authority's ongoing obligations.
- As of the close of the current fiscal year, the DeWitt Area Recreation Authority's governmental fund reported an ending fund balance of \$68,227.
- At the end of the current fiscal year, unreserved and undesignated fund balance for the general fund was \$68,227, or 29.80% of total general fund expenditures for the fiscal year ended December 31, 2007.

Overview of the Financial Statements

The DeWitt Area Recreation Authority's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

- The first column of the financial statements includes information on the Authority's General Fund under the modified accrual method. These *Fund Financial Statements* focus on current financial resources and provide a more detailed view about the accountability of the Authority's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The *government-wide financial statement* columns provide both *long-term* and *short-term* information about the Authority's *overall* financial status. The statement of net assets and the statement of activities provide information about the activities of the Authority as a whole and present a longer-term view of the Authority's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements.

...promoting community and quality of life through leisure services...

Government-wide Financial Statements: The government-wide financial statements provide information about the activities of the entire Authority. They present an overall view of the Authority's finances, reporting the assets and liabilities on fiscal period ended December 31, 2007.

The statement of net assets presents information on all of the DeWitt Area Recreation Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.

The statement of activities presents information showing how the Authority's net assets changed during the most recent fiscal year. All changes in net assets are reported using the modified accrual basis of accounting.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DeWitt Area Recreation Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Authority operates with one fund, the General Fund.

Governmental funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluation a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The notes to the financial statements provide reconciliations between the fund level and government-wide financial statements to facilitate this comparison between governmental funds and governmental activities.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 3-8 of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning budgeted revenues and expenditures on page 9. The DeWitt Area Recreation Authority adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of DeWitt Area Recreation Authority, assets exceeded liabilities by \$95,194. A comparative analysis of data is presented below for the condensed statement of net assets as of December 31, 2007 and 2006.

TABLE 1
CONDENSED STATEMENT OF NET ASSETS

	December 31,	
	<u>2007</u>	<u>2006</u>
Current assets	\$ 78,637	\$ 95,616
Capital assets	<u>34,660</u>	<u>27,446</u>
Total assets	<u>\$ 113,297</u>	<u>\$ 123,026</u>
Current liabilities	\$ 15,795	\$ 8,116
Noncurrent liabilities	<u>2,308</u>	<u>1,619</u>
Total liabilities	<u>\$ 18,103</u>	<u>\$ 9,735</u>
Net assets		
Unrestricted	<u>\$ 95,194</u>	<u>\$ 113,327</u>

Unrestricted net assets (the part of net assets that can be used to finance day to day operations) stand at approximately 42% of expenses for the fiscal year ended December 31, 2007. This is well above our desired range, and will decrease as portions of the fund balance are budgeted for use in the upcoming years.

TABLE 2
CONDENSED STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS

	Years Ended December 31,	
	<u>2007</u>	<u>2006</u>
Program revenue		
Charges for services	\$ 111,297	\$ 95,968
General revenue		
Intergovernmental - local	90,000	90,000
Interest	431	661
Other	<u>4,152</u>	<u>3,268</u>
Total revenues	205,880	189,897
Current Expenses		
Recreation services	<u>224,013</u>	<u>193,736</u>
Change in net assets	<u>\$(18,133)</u>	<u>\$(3,839)</u>

While the Statement of Net Assets shows the change in financial position of net assets, the Statement of Revenues, Expenses and Changes in Net Assets shows how total revenues and expenses increased the net assets. Program revenues of \$111,297, less operating recreation expenses of \$224,013 show that the day to day operations of the Authority were not being met by user fees, but program revenues covered 49.68% of total expenses in 2007 as compared to 49.54% in 2006.

The Authority's program revenues and total expenses increased at a slightly higher rate over the prior fiscal year. This is related to the addition of new programs and a 12% increase in participation from 2006. Program revenue increased 15.97% over the 2006 fiscal year and total expenses increased 15.6% over the 2006 fiscal year.

Capital Assets and Debt Administration: A comparative analysis of capital assets as of December 31, 2007 and 2006 follows:

TABLE 3
CAPITAL ASSETS

	<u>2007</u>	<u>2006</u>
Vehicles and Equipment	\$ 44,116	\$ 31,615
Less accumulated depreciation for:		
Vehicles and Equipment	<u>(9,456)</u>	<u>(4,169)</u>
Capital assets, net	<u>\$ 34,660</u>	<u>\$ 27,446</u>

Long-term Obligations: The DeWitt Area Recreation Authority does not have any outstanding debt issues. The only long-term obligation the Authority currently has relates to compensated absences (e.g., unused vacation and personal leave). The total liability for this long-term obligation at December 31, 2007 is \$7,693 which shows an increase of \$2,297 over fiscal period ended December 31, 2006.

Governmental Fund Budgetary Highlights

There are significant variances between the final budget and actual amounts for a number of revenue lines and current expenditure items. Program costs expense is a line that was well over budget in 2007. With increased programming offered through a separate organization, our costs went up substantially to pay for the outside instructors. Finally, the miscellaneous expense line is well over budget in 2007. A large portion of the overage was related to upgrades necessary for our financial software.

There was a large increase in program revenues in 2007 as a result of higher participation numbers in programs along with revenue received for a number of new programs offered by DARA in 2007. Program revenues increased in 2007 by 15.97% over program revenues in 2006.

DARA joined the DeWitt Township medical coverage plan in 2007 which allowed DARA to offer an insurance buyout to its employees. One employee received a buyout check which lessened our expenses for that line item.

A 2007 budget comparison schedule is presented in the Required Supplementary Information section on page 9.

Economic Factors and Next Year's Budget and Rates

For the fiscal year ending December 31, 2008, we anticipate another modest increase in program revenues and total expenditures based on increased and new programming and significantly fewer capital outlay purchases. With a guaranteed intergovernmental revenue contribution, economic factors will not greatly impact the financial condition of the Authority. Poor economic conditions may decrease discretionary income thus decreasing revenue based on program participation numbers.

A portion of the fund balance should be used for day to day operations during the fiscal year ending December 31, 2008 causing a decrease in the Authority's net assets. The DARA Board of Commissioners continues to budget the spending of the fund balance wisely. The goal has been to spend a portion of the fund balance on items that will not increase our annual expenditures for a number of years in the future. The Authority will continue to budget for a decrease in the fund balance to reach a desired fund balance percentage of 5%-10%.

Because the services of the DeWitt Area Recreation Authority are provided based on the ability to pay, a substantial fee increase is unlikely. Higher operating costs will continue to increase expenditures and may directly result in nominal fee increases for Authority programs to the general public. The increased fees for programs will directly result from increases in operating costs to provide them.

Requests for Information

This financial report is designed to provide a general overview of the DeWitt Area Recreation Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Staci Leyko CPRP
Executive Director
DeWitt Area Recreation Authority
1401 W. Herbison Rd.
DeWitt, MI 48820
Phone: (517) 482-5117
Fax: (517) 482-1293
E-mail: sleyko@dewittrecreation.org

BASIC FINANCIAL STATEMENTS

DeWitt Area Recreation Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2007

	General Fund	Adjustments	Statement of Net Assets
ASSETS			
Current assets			
Cash	\$ 78,637	\$ -	\$ 78,637
Noncurrent assets			
Capital assets, net	-	34,660	34,660
Total assets	<u>\$ 78,637</u>	34,660	113,297
LIABILITIES			
Current liabilities			
Accounts payable	\$ 7,640	-	7,640
Other accrued liabilities	1,134	-	1,134
Deferred revenue	1,636	-	1,636
Current portion of compensated absences	-	5,385	5,385
Total current liabilities	10,410	5,385	15,795
Noncurrent liabilities			
Compensated absences	-	2,308	2,308
Total liabilities	10,410	7,693	18,103
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	68,227	(68,227)	-0-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 78,637</u>	-	-0-
NET ASSETS			
Unrestricted		<u>\$ 95,194</u>	<u>\$ 95,194</u>

See accompanying notes to financial statements.

DeWitt Area Recreation Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2007

	General Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Salaries and wages	\$ 104,893	\$ 2,297	\$ 107,190
Fringe benefits	18,561	-	18,561
Supplies and materials	4,034	3,319	7,353
Postage	768	-	768
Program costs	50,498	-	50,498
Contracted services	10,575	-	10,575
Telephone	3,252	-	3,252
Rent	3,354	-	3,354
Insurance	8,350	-	8,350
Dues and memberships	1,109	-	1,109
Training and conferences	2,287	-	2,287
Mileage	558	-	558
Depreciation	-	5,287	5,287
Other	4,871	-	4,871
Capital outlay	15,820	(15,820)	-
TOTAL EXPENDITURES/EXPENSES	228,930	(4,917)	224,013
PROGRAM REVENUES			
Charges for services	111,297	-	111,297
NET PROGRAM EXPENSE	(117,633)	4,917	(112,716)
GENERAL REVENUES			
Intergovernmental - local	90,000	-	90,000
Interest	431	-	431
Other	4,152	-	4,152
TOTAL GENERAL REVENUES	94,583	-0-	94,583
EXCESS OF REVENUES (UNDER) EXPENDITURES	(23,050)	23,050	-0-
CHANGE IN NET ASSETS	-	(18,133)	(18,133)
Fund balance/Net assets			
Beginning of year	91,277	22,050	113,327
End of year	\$ 68,227	\$ 26,967	\$ 95,194

See accompanying notes to financial statements.

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The DeWitt Area Recreation Authority is a joint venture between DeWitt Charter Township and the City of Dewitt, and was established in 2003 to provide recreation services. The Authority's activities are overseen by a six (6) member board of Directors, with each municipality appointing three (3) members. Each municipality provides annual appropriations to subsidize operations. The initial contribution approved by the Authority requires DeWitt Charter Township and the City of DeWitt to provide approximately 68 and 32 percent, respectively.

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements are exclusive presentations of the financial condition and results of operations of the DeWitt Area Recreation Authority. The Authority is considered a "joint venture" of DeWitt Charter Township and the City of DeWitt.

2. Basis of Presentation and Measurement Focus

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the Authority as a whole.

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, adjustments are reflected on the face of the financial statements. Those adjustments are explained in detail in Note F.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients for goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes interest and all local government appropriations and shows how governmental functions are either self-financing or supported by the general revenues of the Authority.

FUND FINANCIAL STATEMENTS

The Authority uses a single fund to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The governmental fund financial statements present the Authority's individual major fund.

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

2. Basis of Presentation and Measurement Focus - continued

The major fund of the Authority is:

General Fund - This fund is used to account for all financial resources of the Authority, which are restricted to expenditures for specified recreation related purposes.

3. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants and contributions are recognized when all eligibility requirements imposed by the provider have been met. Deferred revenue is recorded when resources are received by the Authority before it has legal claim to them, such as when program fees are received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include state and federal grants and interest revenue. Other revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt which are recorded when due.

The Authority reports deferred revenue on its governmental fund balance sheet. Deferred revenues arise when the Authority receives resources before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

4. Budgets and Budgetary Accounting

The annual budget of the Authority is prepared by Authority management and approved by the Board at the total expenditure level. Any revisions to the original budget are approved by the Board before the end of the fiscal year.

5. Cash

Cash consists of the Authority's money market checking account.

6. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the Government-wide financial statements. Capital assets are those with an initial individual cost of \$2,500 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the Government-wide financial statements. Purchased assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE A: DESCRIPTION OF ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

6. Capital Assets - continued

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Equipment	5 - 10 years
Vehicles	10 years

7. Deferred Revenue

The Authority has recorded deferred revenue at both the government-wide and the fund level equaling the amount of program fees received from participants for the subsequent year's programs.

8. Compensated Absences

The Authority employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time. This amount, along with related payroll taxes has been recorded as a long-term liability in the government-wide financial statements.

9. Comparative Data

Comparative data for the prior year has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH

In accordance with Michigan Compiled Laws, the Authority is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States Banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE B: CASH - CONTINUED

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation or Government National Mortgage Association.

The Authority's bank deposits at December 31, 2007, are composed of the following:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash		
Checking account	\$ 78,637	\$ 78,634

Bank deposits of the Authority are at federally insured banks located in the State of Michigan with the account maintained in the name of the Authority. As of December 31, 2007, the Authority's account was fully insured by the FDIC.

Interest rate risk

The Authority will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics.

Concentration of credit risk

The Authority will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer by limiting investments to authorized types of securities, pre-qualifying financial institutions with which the Authority will do business, and diversifying the investment portfolio.

NOTE C: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	<u>Balance Jan. 1, 2007</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance Dec. 31, 2007</u>
Capital assets being depreciated				
Vehicles	\$ 12,657	\$ -	\$ -	\$ 12,657
Equipment	18,958	12,501	-	31,459
Total capital assets being depreciated	31,615	12,501	-0-	44,116
Less accumulated depreciation for:				
Vehicles	(633)	(1,266)	-	(1,899)
Equipment	(3,536)	(4,021)	-	(7,557)
Total accumulated depreciation	(4,169)	(5,287)	-0-	(9,456)
Capital assets, net	\$ 27,446	\$ 7,214	\$ -0-	\$ 34,660

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE D: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the Authority for the year ended December 31, 2007:

	Balance Jan. 1, 2007	Additions	Deletions	Balance Dec. 31, 2007	Amounts Due Within One Year
Compensated absences	\$ 5,396	\$ 7,979	\$ 5,682	\$ 7,693	\$ 5,385

Significant details regarding outstanding long-term debt are presented below:

Compensated absences

Employees of the Authority are granted vacation time in varying amounts based on length of service. Upon termination of employment, employees are paid accumulated sick leave and vacation at full current rate of pay.

Accumulated sick leave and vacation pay represent a liability to the Authority and is presented as a long-term liability. Payments to employees for sick leave and vacation pay are recorded as expenditures when they are used and payments are actually made to the employees.

At December 31, 2007, the Authority's total liability for sick leave and vacation pay amounted to \$7,693. The amount of \$5,385 is recorded as a current liability, and the balance of \$2,308 is recorded as a long-term liability on the Statement of Net Assets.

NOTE E: RISK MANAGEMENT

The Authority participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

The Authority also participates in a pool, the Michigan Municipal Risk Management Authority, with other municipalities for property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Authority has not been informed of any special assessments being required.

NOTE F: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Authority's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities, respectively. This difference primarily results from the long-term economic focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance. The following are reconciliations of fund balance to net assets and the net change in fund balance to the net change in net assets:

DeWitt Area Recreation Authority
NOTES TO FINANCIAL STATEMENTS
December 31, 2007

NOTE F: RECONCILIATION OF FUND FINANCIAL STATEMENTS TO GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

Total fund balance - governmental fund \$ 68,227

Amounts reported in the statement of net assets are different because:

Capital assets are not financial resources.

The cost of capital assts is	\$ 44,116
Accumulated depreciation is	<u>(9,456)</u>

Capital assets, net	34,660
---------------------	--------

Compensated absences are included as a liability.	<u>(7,693)</u>
---	------------------

Net assets of governmental activities **\$ 95,194**

Net change in fund balance - governmental fund **\$(23,050)**

Amounts reported in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their useful lives as depreciation expense. In the current year, these amounts are:

Capital outlay	\$ 12,501
Depreciation expense	<u>(5,287)</u>

Excess of capital outlay over depreciation expense	7,214
--	-------

The increase in the accrual for long-term compensated absences is reported as an increase of liabilities in the statement of activities, but not in the fund statements.

	<u>(2,297)</u>
--	------------------

Change in net assets of governmental activities **\$(18,133)**

REQUIRED SUPPLEMENTARY INFORMATION

DeWitt Area Recreation Authority

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended December 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental - local	\$ 90,000	\$ 90,000	\$ 90,000	\$ -0-
Charges for services	110,000	110,000	111,297	1,297
Interest	500	500	431	(69)
Other	2,500	2,500	4,152	1,652
TOTAL REVENUES	203,000	203,000	205,880	2,880
EXPENDITURES				
Current				
Salaries and wages	104,720	104,720	104,893	(173)
Fringe benefits	27,250	27,250	18,561	8,689
Supplies and materials	3,500	3,500	4,034	(534)
Postage	1,350	1,350	768	582
Program costs	45,000	45,000	50,498	(5,498)
Contracted services	10,600	10,600	10,575	25
Telephone	3,900	3,900	3,252	648
Rent	3,355	3,355	3,354	1
Insurance	8,200	8,200	8,350	(150)
Dues and memberships	825	825	1,109	(284)
Training and conferences	3,200	3,200	2,287	913
Mileage	1,065	1,065	558	507
Other	3,100	3,100	4,871	(1,771)
Capital outlay	7,000	15,600	15,820	(220)
TOTAL EXPENDITURES	223,065	231,665	228,930	2,735
NET CHANGE IN FUND BALANCE	(20,065)	(28,665)	(23,050)	5,615
Fund balance, beginning	91,277	91,277	91,277	-0-
Fund balance, ending	\$ 71,212	\$ 62,612	\$ 68,227	\$ 5,615

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA



ABRAHAM & GAFFNEY, P.C.

Certified Public Accountants

3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS**

To the Board of Commissioners
DeWitt Area Recreation Authority
DeWitt, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the DeWitt Area Recreation Authority as of and for the year ended December 31, 2007, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated May 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the DeWitt Area Recreation Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the following deficiencies to be significant deficiencies in internal control:

PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL JOURNAL ENTRIES

Effective for all audits of financial statements for fiscal years ending December 31, 2006 and after, Statement on Auditing Standards No. 112 titled "*Communicating Internal Control Related Matters Identified in an Audit*," requires us to communicate when a client requires assistance in the preparation of financial statements and the related footnotes that are required in accordance with accounting principles generally accepted in the United States of America.

The DeWitt Area Recreation Authority's year-end financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) as part of the audit process. Responsibility for the financial statements of the Authority rests with the Authority's management. The preparation of financial statements in accordance with GAAP requires internal controls over recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and the financial statements, including the related note disclosures (i.e., external financial reporting).

PREPARATION OF FINANCIAL STATEMENTS AND MATERIAL JOURNAL ENTRIES - CONTINUED

It has historically been common for many small governments to rely on the independent auditors to assist in the preparation of the financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. Typically it is more cost effective to outsource the preparation of the annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally. As a result, the Authority's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the Authority's internal controls.

Management seems to provide the Members of Board with sufficient financial information on which to base operational financial decisions (i.e., internal financial reporting). Such information is essentially prepared on the cash basis of accounting. While effective for the Board's purposes, the cash basis of accounting is inconsistent with generally accepted accounting principles. The employees and/or management may not possess the qualifications necessary to prepare the Authority's annual financial statements, including the related note disclosures in accordance with GAAP. We are communicating these circumstances as required by professional standards; however we do not see a need for any change in the process related to the preparation of the financial statements at this time.

However, we have also annually performed a search for unrecorded receivables and payables (i.e., accruals) as part of the audit process. As a result of that search, journal entries were suggested to the Authority's management for entry into the general ledger. The accrual amounts were considered material to the Authority's financial statements prepared in accordance with generally accepted accounting principles (GAAP).

We recommend the Authority make determinations of the necessary accrual amounts as part of their year-end closing procedures. Documentation supporting the accruals recorded in the general ledger should be retained for audit purposes.

RECORDING CREDIT CARD ACTIVITY

During the course of our audit and through discussions with management, it was noted that in some instances credit card activity had been entered twice into the Authority's general ledger. By entering the same revenue twice, bank reconciliations were reflecting unreconciled differences at various points throughout the year and at year-end.

We recommend the Authority take the appropriate steps to ensure that credit card activity is appropriately entered into the general ledger. Recording the credit card activity in the appropriate amounts at the appropriate times will improve the accuracy of the bank reconciliations and provide members of the Board accurate financial information to make informed decisions.

REVIEW OF COMPENSATED ABSENCES ACTIVITY

Certain employees of the Authority are granted vacation and sick leave as a fringe benefit. During the course of our audit and through discussions with management, it was noted that the hours earned and used by the Executive Director are not being reviewed by someone independent of the reporting process.

Management and the Board of Commissioners must realize that a greater risk in safeguarding the Authority's assets will exist if duties and responsibilities are not appropriately arranged and separated. In smaller governmental entities, where the number of employees is limited and duties cannot be adequately separated, the Board must provide a greater review and supervision of employee functions and procedures.

We recommend that a member of the Board of Commissioners periodically review the compensated absences activity reported by the Executive Director and document such review by signing or initialing a report of hours earned and used. On an annual basis, the report of hours earned and used should be made available for audit purposes.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We consider the significant deficiencies noted above to be material weaknesses, with the exception of the "preparation of financial statements" finding.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, standards, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance.

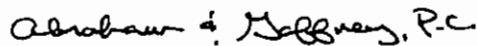
In connection with the audit, however, we feel that certain changes in your accounting and administrative procedures would be helpful in improving management's control and the operational efficiency of the accounting and administrative functions. This suggestion is a result of our evaluation of the internal control and our discussions with management.

ACCOUNTING SOFTWARE

Currently, the DeWitt Charter Township staff utilizes an accounting software package for the Authority's financial reporting purposes that is separate from and different than the one utilized for the Township's financial reporting purposes. The Authority's general ledger is maintained on Peachtree, while the Township's general ledger is maintained on BS&A.

Management has expressed a desire to convert the accounting data from Peachtree to BS&A. We suggest that the Board of Commissioners consider such a conversion. Converting the Authority's general ledger to BS&A will allow the Township staff to still account for the Authority's financial information separately, gain efficiencies through their familiarity with the BS&A software, and improve internal control over financial reporting for the Authority.

This report is intended solely for the information and use of management and the members of the Board of Commissioners of the DeWitt Area Recreation Authority, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

May 5, 2008